

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6460

BILL NUMBER: SB 375

NOTE PREPARED: Jan 16, 2013

BILL AMENDED:

SUBJECT: Depreciable Personal Property Assessment.

FIRST AUTHOR: Sen. Buck

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill changes the minimum personal property tax depreciation floor from 30% to 20% for assessment dates after 2013.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Summary:* The reduction of the 30% floor to a 20% floor beginning with taxes payable in CY 2015 would result in the elimination of about \$8.4 B in business personal property and utility net AV. The AV reduction would cause the 2015 statewide average tax rate to rise from an estimated \$2.36 to \$2.42 per \$100 AV, or an average of \$0.06 per \$100 AV. The higher tax rates would cause a shift of about \$74 M in taxes to other taxpayers. Additionally, the higher tax rates would increase exposure to the circuit breaker caps by about \$166 M. Net taxes on personal property would be reduced by about \$253 M. The increased tax rates would result in an overall estimated \$8.5 M increase in TIF revenue. TIF areas that are heavily dependent on personal property TIF revenues could see a decline in TIF revenue. (Please see the table at the end of this document for the estimated impact by county.)

Rail Car Tax - Summary: If the 30% floor is reduced to 20%, rail car net AV would fall by about \$88 M, and

rail car taxes would decline by about \$1.8 M annually. The net rail car tax after credits is billed by Indiana Department of State Revenue and paid into the Commuter Rail Service Fund. Money in the fund is distributed to the Northern Indiana Commuter Transportation District (NICTD).

Background: The current Department of Local Government Finance (DLGF) personal property assessment rule specifies a depreciation schedule for business personal property. Most taxpayers list the cost of depreciable property in one of four "pools", based on the declared useful life of the property. Each pool has a different set of depreciation rates for each year of age of the property. The cost of the property is multiplied by the appropriate "percent good" factor in the depreciation schedule to produce the true tax value (TTV). The total TTV of all of a taxpayer's depreciable property located in the same taxing district must equal at least 30% of the total cost. This is known as the 30% valuation floor.

Utilities, railroads, and rail cars are assessed under different methods. The total statewide assessed values of these taxpayers are established, subject to the 30% floor, and then are apportioned to various taxing districts.

Taxpayers who own an integrated steel mill or an oil refinery/petrochemical company may elect to use the Pool #5 depreciation schedule. Personal property taxpayers who use Pool #5 are not subject to the 30% floor. So a change to the 30% floor would not change the assessed value on these returns. However, these taxpayers could elect to return to the traditional four-pool depreciation schedule if it becomes advantageous to do so.

Analysis: There were approximately 287,600 business personal property tax returns filed for taxes payable in 2012 (not including LaPorte County). These returns account for about \$35 B in gross AV and \$29 B in net AV. Property was valued at the 30% floor on about 164,000, or 57% of those returns.

There were also 312 utility and railroad returns filed for taxes payable in 2012. Total utility/railroad gross AV was about \$12 B and net AV was about \$11 B. Property was valued at the 30% floor on 171, or 55% of these returns.

Total net property tax on business personal and utility property was \$967 M in CY 2012 and is estimated at \$1.02 B in CY 2015.

Rail Car Tax - Background: The rail car property tax is imposed on the rolling stock of rail car companies. The total value of a company's rail cars is determined, and then a portion is allocated to Indiana. The state average property tax rate is applied to the Indiana value to determine the taxpayer's gross liability. Taxpayers may claim maintenance credits up to a combined total of \$2.8 M for all companies in a year.

There were 1,102 rail car companies that filed returns for taxes payable in 2012. The total Indiana value was \$368 M, and the net tax was \$5.9 M. Property was valued at the 30% floor on 338 (31%) of those returns.

State Agencies Affected: Department of Local Government Finance; Northern Indiana Commuter Transportation District.

Local Agencies Affected: Local civil taxing units and school corporations.

Information Sources: LSA parcel-level property tax database and personal property return database; Utility return data, DLGF.

Fiscal Analyst: Bob Sigalow, 317-232-9859.

		Est. 2015	Estimated Impact of Changing from 30% to 20% Assessment Floor				
		Net Tax	Pers Prop	Other Prop	Circ. Brkr	Cuml. Fund	TIF
County		Pers Prop	Net Tax	Net Tax	Loss	Revenue	Revenue
01	Adams	4,689,013	-1,170,876	374,764	612,911	-185,647	7,303
02	Allen	51,129,384	-12,228,020	2,158,610	8,919,403	-1,247,404	142,454
03	Bartholomew	16,952,044	-5,181,202	1,967,977	2,953,137	-512,495	261,533
04	Benton	1,633,092	-656,157	123,191	487,802	-44,984	0
05	Blackford	2,465,154	-581,820	205,015	334,924	-54,656	455
06	Boone	5,168,718	-1,241,135	497,401	682,101	-121,562	55,992
07	Brown	351,369	-171,167	45,578	116,475	-10,080	0
08	Carroll	1,745,718	-597,633	174,757	368,278	-70,683	13,788
09	Cass	4,736,363	-1,232,000	334,257	785,400	-149,797	19,355
10	Clark	13,349,045	-2,713,027	927,769	1,905,899	-287,517	162,991
11	Clay	1,879,096	-545,454	235,269	250,192	-61,894	1,988
12	Clinton	4,443,312	-1,630,937	423,503	1,017,187	-191,120	0
13	Crawford	1,344,363	-208,311	56,319	130,595	-26,925	5,041
14	Daviess	4,134,508	-1,245,255	369,047	828,735	-94,676	45,247
15	Dearborn	7,536,379	-1,409,366	640,152	613,722	-169,352	17,530
16	Decatur	4,610,119	-1,138,105	432,799	661,709	-138,749	91,839
17	DeKalb	10,886,051	-4,132,740	1,294,411	2,289,404	-627,788	82,012
18	Delaware	13,065,190	-3,951,698	562,831	3,195,247	-432,473	44,461
19	Dubois	6,318,642	-1,789,626	720,769	858,533	-236,058	34,148
20	Elkhart	29,519,918	-8,214,673	1,580,746	6,082,731	-996,569	77,870
21	Fayette	2,263,879	-765,255	125,367	548,213	-86,291	0
22	Floyd	8,259,741	-1,649,011	842,497	758,237	-169,719	130,678
23	Fountain	1,971,248	-587,521	291,268	275,043	-81,480	60,348
24	Franklin	1,502,211	-379,934	123,850	215,058	-43,722	48
25	Fulton	2,221,150	-805,305	265,191	449,892	-90,298	3
26	Gibson	17,303,155	-3,508,664	1,386,086	2,343,314	-636,969	876,146
27	Grant	10,521,565	-2,945,665	1,075,582	1,838,640	-289,605	100,371
28	Greene	2,381,104	-452,767	149,188	252,085	-57,482	5,201
29	Hamilton	27,696,380	-6,177,676	2,501,098	3,686,970	-547,268	539,764
30	Hancock	7,988,554	-1,702,344	456,153	1,094,277	-209,536	67,246
31	Harrison	2,122,419	-756,600	225,251	464,239	-67,844	0
32	Hendricks	18,145,602	-3,124,259	945,394	2,093,184	-381,341	203,875
33	Henry	4,124,054	-853,115	228,235	531,475	-105,653	9,370
34	Howard	33,961,243	-8,110,341	1,836,209	5,100,711	-1,178,076	0
35	Huntington	4,975,339	-1,262,313	349,399	910,419	-101,533	10,892
36	Jackson	7,495,010	-2,216,504	782,219	1,241,439	-244,040	49,064
37	Jasper	6,830,413	-5,175,978	983,854	3,710,118	-382,710	29,907
38	Jay	4,597,675	-948,869	389,953	440,409	-147,330	14,573
39	Jefferson	6,323,222	-1,543,388	722,481	720,088	-194,906	92,328
40	Jennings	3,292,535	-781,861	306,510	462,968	-113,564	55,335
41	Johnson	13,796,297	-3,076,218	911,338	1,998,744	-382,904	138,373
42	Knox	7,332,475	-1,402,167	312,641	1,029,042	-101,852	3,255
43	Kosciusko	10,517,469	-3,290,576	1,151,095	1,874,572	-365,699	97,896
44	LaGrange	2,823,069	-1,050,074	391,033	644,540	-121,746	48,446
45	Lake	113,294,633	-20,474,653	6,912,689	13,708,746	-1,464,325	653,923
46	LaPorte	13,815,418	Not Available				

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County		Pers Prop	Net Tax	Net Tax	Loss	Revenue	Revenue
47	Lawrence	4,559,422	-1,135,961	380,445	672,116	-129,256	13,602
48	Madison	13,540,443	-3,906,439	649,766	3,363,546	-269,176	65,155
49	Marion	168,085,357	-39,765,830	10,381,207	28,254,990	-4,872,595	1,241,003
50	Marshall	6,302,248	-1,901,132	872,880	895,600	-229,170	90,482
51	Martin	1,104,957	-394,524	130,964	225,051	-42,517	1,636
52	Miami	2,230,843	-668,246	170,057	418,536	-81,856	1,208
53	Monroe	9,642,108	-2,930,281	1,314,330	1,415,112	-314,314	146,753
54	Montgomery	9,277,714	-3,448,632	941,333	2,231,664	-321,651	25,910
55	Morgan	2,717,033	-1,617,468	361,585	1,161,522	-142,353	33,314
56	Newton	2,162,975	-487,387	214,607	216,348	-53,668	220
57	Noble	8,213,402	-2,000,657	925,506	1,029,500	-234,090	99,906
58	Ohio	264,057	-164,550	41,574	104,906	-17,541	0
59	Orange	1,857,439	-425,156	180,500	227,968	-48,416	32,099
60	Owen	1,527,400	-233,871	114,026	87,981	-31,498	0
61	Parke	1,004,632	-267,339	72,629	168,405	-28,073	1,277
62	Perry	2,567,380	-786,211	214,019	560,186	-95,108	80,452
63	Pike	5,309,476	-1,382,885	459,530	715,493	-206,268	0
64	Porter	26,528,361	-5,718,894	2,399,271	3,134,136	-622,336	426,024
65	Posey	11,968,213	-5,052,817	1,036,377	3,092,862	-974,433	77,563
66	Pulaski	926,723	-510,365	107,803	358,609	-43,498	0
67	Putnam	4,379,491	-1,345,802	528,198	675,362	-202,178	0
68	Randolph	3,389,447	-740,045	204,881	475,210	-79,863	9,543
69	Ripley	2,405,538	-887,866	327,144	445,839	-113,561	603
70	Rush	2,116,614	-491,692	126,243	322,197	-48,624	0
71	St. Joseph	40,938,081	-13,627,054	4,245,957	10,791,983	-1,144,824	473,829
72	Scott	3,020,405	-590,799	272,785	303,293	-84,587	39,125
73	Shelby	9,373,504	-2,011,655	929,317	1,046,114	-230,067	192,125
74	Spencer	11,931,485	-4,935,775	526,770	2,756,642	-171,894	151,664
75	Starke	1,632,994	-426,843	174,710	218,750	-39,383	8
76	Steuben	3,227,435	-1,468,300	531,134	847,815	-128,401	24,338
77	Sullivan	6,508,494	-288,580	91,858	160,215	-36,241	57
78	Switzerland	570,506	-243,040	56,646	152,555	-33,879	0
79	Tippecanoe	29,945,836	-6,068,625	2,919,592	3,112,006	-772,097	646,770
80	Tipton	2,152,168	-563,800	185,946	329,704	-57,582	7,928
81	Union	523,875	-131,510	52,611	58,200	-20,814	0
82	Vanderburgh	29,327,327	-6,959,080	1,571,675	5,311,318	-700,430	141,721
83	Vermillion	6,034,698	-1,360,906	333,104	829,843	-211,012	13,933
84	Vigo	25,012,843	-5,514,449	863,644	4,212,939	-629,238	89,539
85	Wabash	3,633,486	-726,796	312,426	342,835	-90,708	19,791
86	Warren	691,414	-260,908	76,788	158,117	-27,320	68
87	Warrick	9,133,348	-2,349,935	830,559	1,325,209	-258,880	51,991
88	Washington	2,424,297	-559,038	209,736	284,725	-66,645	1,520
89	Wayne	10,876,115	-2,512,291	468,417	1,870,027	-289,946	18,283
90	Wells	3,022,042	-863,209	291,091	493,308	-80,914	4,770
91	White	3,209,400	-992,462	324,436	587,803	-97,785	10,083
92	Whitley	3,637,116	-1,380,295	370,729	930,186	-122,184	45,994
		1,020,421,477	-253,179,662	74,584,556	165,863,536	-27,723,196	8,531,344